

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01

DOE-15 MCE-00 AF-10 ARA-10 EA-10 NEA-11 OIC-02

/169 W

-----081216 151933Z /41

R 151445Z JUN 78

FM AMEMBASSY ROME

TO SECSTATE WASHDC 3582

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

U.S. MISSION GENEVA

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E.O. 11652: NA

TAGS: ETRD, EEC,IT

SUBJECT: VIEWS OF GOI OFFICIALS ON MULTILATERAL TRADE NEGOTIATIONS
(MTN)

SUMMARY. RECENT DISCUSSION WITH MINISTRY OF FOREIGN TRADE AND
MFA TRADE POLICY OFFICIALS INDICATE THEY EXPECT JULY 15 EC-U.S.
TARGET DATE FOR MTN AGREEMENT IN BROAD OUTLINE TO BE MET IF
ALL CONCERNED DO NOT EXPECT TOO MUCH IMPROVEMENT OVER CURRENT
TARIFF REDUCTION OFFERS. THEY INDICATED GOI REMAINS STRONGLY
APOPOSED TO SUBSIDIES AGREEMENT ALONG LINES SOUGHT BY U.S. AND
TO EC CONCESSIONS ON CITRUS AND TOBACCO. SAFEGUARD/SELECTIVITY
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AGREEMENT DEPENDED ON JAPAN AS ITALY WOULD NOT GIVE UP QUOTAS
ON CERTAIN SENSITIVE IMPORTS FROM JAPAN. END SUMMARY.

1. EMBOFF SOUGHT VIEWS (ON JUNE 12-13) OF TWO KEY, MIDDLE
LEVEL GOI OFFICIALS ON MULTILATERAL TRADE NEGOTIATIONS (MTN),
FRANCESCO SIMEONE, DIRECTOR DIVISION IV (GATT, U.S., JAPAN,
ETC. AFFAIRS) OF DIRECTORATE GENERAL FOR TRADE AGREEMENTS IN

MINISTRY OF FOREIGN TRADE AND ROBERTO NIGIDO, DIRECTOR OF
TRADE POLICY AT MFA.

2. BOTH OFFICIALS BELIEVED THAT EC-U.S. TARGET DATE OF JULY 15
FOR ESTABLISHING MAJOR PORTIONS OF AGREEMENT IN PRINCIPLE COULD
BE MET. BOTH EXPECTED TARIFF REDUCTION WOULD BE LESS THAN
ORIGINALLY TARGETED IN STRAUSS-HAFERKAMPF MEETING OF LAST FALL,
BUT STILL SUFFICIENT FOR ESTABLISHING A GOOD CLIMATE FOR
MAINTAINING HEALTHY TRADE RELATIONS. SIMEONE QUALIFIED
THIS PICUTRE A BIT BY SAYING SUCH AN AGREEMENT CAN BE REACHED
BY JULY 15 IF WE DO NOT TRY TO BE PERFECTIONISTS BY CONTINUING
TO SEEK OFFER IMPROVEMENTS THAT ARE COMPLICATED AND DIFFICULT.
HE THOUGHT ONLY THE EASIEST AND SIMPLEST IMPROVEMENTS SHOULD
BE SOUGHT AT THIS LATE DATE, BUT HE OFFERED ONLY ONE EXAMPLE OF
SUCH AN IMPROVEMENT--FORMALIZATION BY THE EC OF WAIVERS OF
EC TARIFFS ON AIRCRAFT AND PARTS WHICH MEMBER COUNTRIES ARE NOE
ALLOWED TO EXERCISE REGULARLY (IE. A BINDING TO ZERO TARIFF)
IN EXCHANGE FOR A BOUND REDUCTION OF U.S. TARIFF FROM 5 PERCENT
TO ZERO ON THE SAME ITEMS.

3. BOTH OFFICIALS INDICATED GOI REMAINS OPPOSED TO DOING ANY-
THING ON SUBSIDIES/COUNTERVAILING MEASURES ALONG THE LINES
U.S. IS PROPOSING. SIMEONE SAW NOTHING IN THE VOUEL PAPER ON
STATE AIDESTO INDUSTRY THAT WOULD CONTRIBUTE TO NARROWING THE
GAP BETWEEN EC AND U.S. POSITIONS ON SUBSIDIES. NIGIDO SAID
THE ONLY INTERMINISTERIAL DISCUSSION AS SUBSIDIES IN THE MTN
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CONTEXT SINCE RIVERS (STR) VISIT TO ROME HAD OCCURRED
DURING MEETING ON STEEL PROBLEMS. SEVERAL PRESENT HAD TAKEN
THE POSITION THAT IF THE U.S. WISHES TO DESTROY THE MTN. IT
HAS A MARVELLOUS INSTRUMENT FOR DOING SO BY PERSISITING IN ITS
REQUEST FOR A SUBSIDIES AGREEMENT. NIGIDO INDICATED THAT THIS
POSITION HAS BEEN ACCEPTED AS PREVAILING GOI VIEW. HE ALSO
SAID U.S. POSITION AS PRESENTED BY RIVERS WAS CLEARLY UNDER
STOOD.

4. SIMEONE THOUGHT THERE WAS NO MAJOR DISAGREEMENT BETWEEN
EC AND U.S. ON SAFEGUARDS/SELECTIVITY. HE SAID JAPANESE WERE
MAIN PROBLEM. ITALY HAD TRIED TO REMOVE JAPNAESE OBJECTIONS,
HE SAID, BY REDUCING ITALIAN IMPORT QUOTAS ON JAPANESE GOODS
DOWN TO AN IRREDUCTIBLE MINIMUM, BUT JAPANESE HAD FELT OFFER WAS
INSUFFICIENT. FRANCE AND OTHER EC MEMBER COUNTRIES ALSO HAD
SOME SIGNIFICANT QUOTE RESTRICTIONS, HE SAID, BUT SOME OF THE
MORE IMPORTANT RESTRICTIONS WEREINFORMAL,
THE TABLE ONES, SUCH AS THE UK DEAL WITH JAPAN UNDER WHICH
JAPAN IS TO KEEP AR EXPORTS TO THE UK AT 10 PERCENT OF CAR
REGISTRATIONS AND THE FRENCH THREAT TO JAPANESE AUTO INDUSTRY
REPRESENTATIVES THAT IF CAR EXPORTS TO FRANCE ARE NOT KEPT
AT 8 PERCENT TO 4 PERCENT OF REGISTRATIOS, FRENCH OFFICIALS

WILL FIND THAT JAPANESE CARS DO NOT MEET STANDARDS (E.E.

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WILL REFUSE HOMOLOGATION). SIMEONE CONTENDED THAT ITALY'S
FORTHRIGHT QUOTAS WERE MORE HONEST THAN THESE ARRANGEMENTS.
HE CONCLUDED BY SAYING THAT ITALY WAS DETERMINED NOT TO
GIVE UP ITS QUOTAS ON JAPANESE CARS, TV TUBES, SEWING MACHINES,
MOTOR CYCLES AND PARTS AND SPECIAL STEELS.

5. SIMEONE SAID HE BELIEVED NEGOTIATIONS ON WHEAT AND OTHER
GRAINS WOULD RESULT IN AN AGREEMENT AS WOULD NEGOTIATIONS ON
MEAT AND DAIRY PRODUCTS. NIGIDO, HOWEVER, EXPRESSED
SUSPICION THAT NORTHERN EC MEMBER
COUNTRIES WOULD DELAY FINAL AGREEMENT IN THESE AREAS IN LAST
MINUTE EFFORT TO IMPROVE THEIR BARGAINING POSITION WITH THE
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U.S. BY TRYING TO FORCE SOME CONCESSIONS FROM ITALY'S
REGIDLY NEGATIVE STANCE ON THE U.S. CITRUS AND TOBACCO RE-
QUESTS. EMOFF TOOK OPPORTUNITY TO PRESS FOR SOME CONCESSION
ON TOBACCO IN VIEW OF HIGHER INCIDENCE OF EC CUSTOMS DUTIES
AS VALUE OF TABACCO RISES. BOTH, SIMEONE AND NIGIDO, ARGUED
THAT ITALY COULD NOT CONCEDE ANYTHING ON CITRUS AND TOBACCO
INVIEW OF CONCESSIONS MADE ON THESE PRODUCTS IN EARLIERR
TRADE NEGOTIATIONS, THE KENNEDY ROUND, ARTICLE XXIV NEGOTIATIONS,
AT THE TIME OF EC ENLARGEMENT FROM SIX TO NINE MEMBERS AND INT
THE RECENT EC IMPROVEMENT F PREFERENCES FOR CERTAIN
MEDITERRANEAN COUNTRIES. THEY CLAIMED THAT GOI HAD BEEN
VERY CLEAR TO ITS EC PARTNERES, ESPECIALLY ON THE LAST OCCASION,
THAT, IN VIEW OF PAST CONCESSIONS ON THESE ITEMS AT ITALY'S
EXPENSE, ITALY WOULD NOT ACCEPT ANY FURTHER CONCESSIONS IN
THE MTN. SIMEONE INDICATED THAT NORTHERN EC MEMBERS WERE NOT
DISPOSED TO SATISFY ITALY'S NEEDS. HE MENTINED THAT, WHILE
WHISKEY CNSUMPTION HAD GROUWN MARKEDLY IN ITALY TO THE POINT
THAT ITALY HAD BECOME THE PRINCIPAL MARKET IN THE EC OUTSIDE
THE UK, HIGH SPECIFIC EXCISE TAXES ON ITALIAN WINE PREVENTED
A SIMILAR EXPANSION OF ITALY"S WINE EXPORTS TO SUCH EX
MEMBER COUNTRIES AS THE UK. DESPITE THIS COMMENT, NEITHER
SIMEONE NOR NIGIDO THOUGHT THERE WAS
ANY WAY ITALY COULD BE INDUCED TO SOFTEN ITS POSITION. NIGIDO NOTED
THAT TOBACCO ESPECIALLY WAS A REGIONAL AND POLITICAL PROBLEM
AS THAT CROP IS HIGHLY CONCENTRATED IN THE BENEVENTO AREA OF THE
SOUTH.HOLMES

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